

Message Text

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ACTION NEA-10

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C O N F I D E N T I A L BEIRUT 3438

E.O. 11652: GDS
TAGS: EAID LE
SUBJ: AID TO LEBANON: TEAM CALLS ON PRESIDENT SARKIS

1. FOUR-PERSON AID TEAM HEADED BY BLAINE RICHARDSON CALLED ON PRESIDENT SARKIS MORNING JULY 15. AMBASSADOR AND RECONSTRUCTION COUNCIL PRESIDENT MOHAMMED ATALLAH ALSO PRESENT.

2. PRESIDENT EXPRESSED APPRECIATION FOR USG EFFORTS TO HELP LEBANON IN POLITICAL AS WELL AS ECONOMIC FIELDS. RICHARDSON CONVEYED TEAM'S APPRECIATION FOR ADMINISTRATIVE ARRANGEMENTS SUPERVISED BY ATALLAH AND GAVE BRIEF ACCOUNT OF HIS IMPRESSION THAT, WHILE THERE HAD BEEN NOTABLE INCREASE IN ECONOMIC ACTIVITY SINCE HIS JANUARY VISIT, OPTIMISM OF LAST JANUARY SEEMED TO HAVE CHANGED TO PESSIMISM.

3. PRESIDENT SAID LEBANESE HAD EXPECTED RAPID RECOVERY FROM EFFECTS OF CIVIL WAR BUT HAD COME UP AGAINST REALITIES AND BEEN DISAPPOINTED. HE LIKED TO POINT OUT TO VISITORS THAT IT HAD TAKEN AMERICANS 100 YEARS TO GET OVER THEIR OWN CIVIL WAR AND SEND A SOUTHERNOR TO WHITE HOUSE. A RECENT AMERICAN VISITOR, JOSEPH MALONE, HAS ASKED HIM HOW LONG IT WOULD TAKE TO RETURN TO NORMAL AND WHEN HE HAD REPLIED FIVE OR SIX YEARS, MALONE HAD SAID HE TOO OPTIMISTIC.

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4. RICHARDSON SAID HE HOPED IT WOULD BE POSSIBLE TO DEVELOP PROJECT WITH IMPACT ON MAN IN STREET WHICH WOULD HAVE SAME ROLE AS OUR AID TO PORT OF BEIRUT, WHICH WAS CENTERPIECE OF FY 1977 PROGRAM. IN THIS REGARD, HE HAD HAD DISCUSSION WITH MINISTER OF PUBLIC WORKS BIZRI ABOUT CONSTRUCTION OF CENTRAL MARKER WHICH WOULD MEET NUMBER OF NEEDS IN FIELD OF HEALTH AND SANITATION AS

WELL AS EASING COST OF LIVING FOR POORER LEBANESE.

5. PRESIDENT SAID BIZRI HAD DISCUSSED THIS WITH HIM DAY BEFORE. BIZRI HAD PLANS FOR WHOLESALE MARKET TO BE BUILT IN VICINITY OF HADETH, AND FOR SEMI-WHOLESALE MARKET NEAR CONFRONTATION LINE IN VICINITY HOPITAL DIEU. UNFORTUNATELY LAND COSTS IN URBAN AREA WERE PROHIBITIVE AND IDEA OF HAVING SINGLE SUCH MARKET OVERLOOKED TRANSPORTATION PROBLEMS FOR INDIVIDUAL BUYER. WHAT WAS NEEDED, FOR VARIETY OF REASONS, WAS TO HAVE THREE OR FOUR MARKETS SPREAD ABOUT CITY. RICHARDSON SAID WE COULD CONSIDER SUCH A PROPOSAL.

6. AT ATALLAH'S SUGGESTION, RICHARDSON OUTLINED OUR VIEWS ON USE OF HIGH FINANCING FOR RECONSTRUCTION, REHABILITATION OR CONSTRUCTION OF NEW HOUSING TO REPLACE THAT DESTROYED IN FIGHTING, EMPHASIZING IMPORTANCE OF INSURING THAT BENEFIT WENT TO POOR RATHER THAN MIDDLE CLASS. PRESIDENT REPLIED THAT NEEDS IN HOUSING FIELD WERE SO GREAT, DEMAND WAS FAR OUTSTRIPPING SUPPLY AND DRIVING PRICES UP TO LIMITS WHICH WERE UNACCEPTABLE. 100,000-200,000 HOUSING UNITS NEEDED IN BEIRUT ALONE. THREE-BEDROOM FLAT NOW RENTING FOR LL 25,000 PER YEAR AS OPPOSED TO 5-8,000 FIVE YEARS AGO. THIS REFLECTED LACK OF NEW STARTS IN RENTAL HOUSING SECTOR DUE TO CATASTROPHIC RENTAL LAW WHICH IN EFFECT

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MADE TENANT OWNER OF PROPERTY. NEW RENT LAW DESIGNED TO CORRECT THIS.

7. MEANWHILE, PRESIDENT CONTINUED, PROBLEM OF DEMAND SUCH THAT GOL COULD NOT GET INTO BUSINESS OF BUILDING LOW-COST HOUSING. POLITICAL PROBLEMS WHICH WOULD BE CREATED BY NEED TO ALLOT HOUSING TO MOST DESERVING WERE OVERWHELMING. PRIORITY WOULD HAVE TO BE GIVEN TO MAN WITH TEN CHILDREN OVER MAN WHO HAD ONLY NINE. LATTER WOULD HAVE TO HAVE PRIORITY OVER MAN WITH EIGHT, ETC. RESULT WOULD BE ENDLESS PROCESS, WITH LEAST DESERVING GETTING HOUSE IN SPITE OF EVERYTHING GOL DID. STATE SIMPLY COULD NOT UNDERTAKE THIS.

8. RATHER, PRESIDENT SAID, STATE SHOULD ACQUIRE LAND IN VARIOUS AREAS, INSTALL INFRASTRUCTURE, AND SELL LOTS AT SUBSIDIZED PRICE WITH CREDIT FACILITIES, THUS ENCOURAGING INDIVIDUAL TO ACQUIRE OWN HOUSING (AND LEAVING HARD DECISIONS UP TO MARKET FORCES).

9. IN DISCUSSION OF PRIORITIES PRESIDENT SAID IT NO SECRET THAT AMBASSADOR HAD ASKED PRIME MINISTER SEVERAL

MONTHS AGO WHAT GOL WANTED TO DO WITH \$20,000,000.
PRIME MINISTER HAD SAID HOUSING SHOULD GET PRIORITY.
AMBASSADOR HAD ASKED DR. ATALLAH WHO HAD SAID MONEY
SHOULD GO FOR ROADS. HE HAD THEN ASKED PRESIDENT, WHO
HAD SUGGESTED TELECOMMUNICATIONS, AND THEN SAID USG
SHOULD MAKE DECISIONS BECAUSE ALL OF GOL'S NEEDS WERE
PRIORITY NEEDS. THIS ILLUSTRATED COORDINATION PROBLEMS
WITH GOL, PERHAPS, BUT GOL HOPED TO COPE WITH IT BY
HAVING OVERALL PLAN, WITHIN WHICH PRIORITIES WOULD BE
ESTABLISHED. DR. ATALLAH WOULD BE OUR CONTACT IN THIS
REGARD. HE HAD BEEN CHARGED WITH DEVELOPING PLAN.

10. COMMENT: PRESIDENT'S REMARKS ARE REITERATION OF
LEBANESE LAISSEZ-FAIRE PHILOSOPHY WHICH GIVES MARKET
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FORCES DECISION-MAKING ROLE GOVERNMENTS ARE EXERCISING
MOST PLACES THESE DAYS. ATALLAH AND I DISCUSSED THIS
CONVERSATION OVER LUNCH LATER IN DAY. ATALLAH SAID
PRESIDENT'S REMARKS ON LOW-COST HOUSING REFLECTED A
CURRENT IN CABINET. AT SOME POINT "WE" WOULD HAVE TO
POINT OUT TO PRESIDENT THAT LEBANON HAD TO HAVE LOW-
COST HOUSING AND GOVERNMENT WAS ONLY BODY WHICH COULD
UNDERTAKE JOB.
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